

Message Text

PAGE 01 NATO 04703 032315Z

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C O N F I D E N T I A L USNATO 4703

E.O. 11652: GDS, 12/31/79
TAGS: EFIN, OVIP, NATO
SUBJ: BONN OFFSET MEETING

REF: MOSCOW 1271; USNATO 4634

FOR UNDERSECRETARY CASEY FROM AMBASSADOR RUMSFELD

1. DURING RECENT MEETINGS OF BURDEN SHARING STUDY GROUP AND BILATERAL DISCUSSIONS WITH GERMAN NATO DEL., IT HAS BEEN CLEAR FRG PARTICIPATING IN FACT-FINDING DISCUSSIONS HERE WITH AN EYE TO NEGOTIATIONS WITH U.S. ON OFFSET. GERMAN DEL HAS RAISED TWO BASIC QUESTIONS WHICH ARE HAVING NET EFFECT OF DELAYING FINAL STUDY GROUP REPORT FOR SUBMISSION TO NAC AND ARE AFFECTING ATTITUDE OF OTHER NATO MEMBERS TO MULTILATERAL BURDEN SHARING APPROACH WE ARE SEEKING.

2. FIRST, GERMANS WANT IT MADE CLEAR THEY DENY VALIDITY OF CONCEPT OF A MILITARY BOP IN ISOLATION FROM A COUNTRY'S OVERALL BOP SITUATION. THEY EMPHASIZE WHAT THEY CONSIDER THE BEGIN QUOTE ABSURDITY END QUOTE OF SEEKING RELIEF ON MILITARY ACCOUNT SHOULD THE U.S. ACHIEVE A SURPLUS IN ITS BASIC BALANCE. THEY, THEREFORE, ATTEMPTING EMPHASIZE FAVORABLE PROSPECTS FOR OVERALL U.S. BOP
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PAGE 02 NATO 04703 032315Z

POSITION WHILE PROVIDING HISTORICAL DATA ON NET U.S. TRANSACTIONS ON MILITARY ACCOUNT. IN THIS REGARD, GERMANS WANT STUDY GROUP REPORT TO REFLECT FRG ACTIONS IN MONETARY FIELD THAT HAVE ASSISTED U.S. COMPETITIVE POSITION AND HAVE BRIGHTENED PROSPECTS

FOR OUR OVERALL BALANCE.

3. SECOND, GERMANS ARE INSISTING THAT STUDY GROUP REPORT GIVE FULL CREDIT TO PAST GERMAN EFFORTS AND REFLECT U.S.-FRG ACCORD THAT PREVIOUS BILATERAL OFFSET AGREEMENTS - INCLUDING LOAN ARRANGEMENTS AND INCREASED EXPORTS OF U.S. COMMERCIAL PRODUCTS TO GERMANY RESULTING FROM STATIONING FORCES - HAVE EFFECTIVELY OFFSET 100 PERCENT OF U.S. MILITARY EXPENDITURES IN THE FRG. GERMANS HAVE DEMONSTRATED RESENTMENT THAT IN FIGURES PROVIDED STUDY GROUP, U.S. QUANTIFIED ONLY CASH RECEIPTS FOR MILITARY EQUIPMENT PURCHASED IN U.S. AS DEDUCTION FROM U.S. EXPENDITURES IN FRG ON MILITARY ACCOUNT.

4. HAVING TAKEN THIS POSITION IN MULTILATERAL DISCUSSIONS, FRG MAY WELL USE SIMILAR ARGUMENTATION IN BILATERAL NEGOTIATIONS. US IS ENGAGED IN PARALLEL EFFORTS IN SEEKING MAXIMUM RELIEF FROM GERMANS AS WELL AS OTHER NATO ALLIES. FRG APPEARS TO BE DOING AN EXCELLENT JOB OF COORDINATING BETWEEN THE TWO EFFORTS. U.S. WOULD BE WISE TO DO SAME. RUMSFELD

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